

## Message Text

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DRAFTED BY FRB:BERNARD:JA

APPROVED BY EA/J:NICHOLAS PLATT

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FM SECSTATE WASHDC

TO AMEMBASSY TOKYO IMMEDIATE

UNCLAS STATE 101248

TO MCCAMEY FROM FEDERAL RESERVE BERNARD

E.O. 11652: GDS

TAGS: OVIP (BURNS)

SUBJECT: BURNS TRAVEL TO TOKYO

1. YOUR FRIENDS AT BOARD DELIGHTED TO LEARN OF AWARD FROM EMPEROR AND ALL JOIN IN CONGRATUALTIONS.

2. TREASURY SECURITIES MARKET WEAKENED CONSIDERABLY TODAY FOLLOWING SYSTEM MATCHED SALE-PUCHASES WHEN FEDERAL FUNDS WERE TRADING AT 6-3/4 PCT. FUNDS SUBSEQUENTLY TRADED AS HIGH AS 7 PCT. THREE MONTH BILL RATE UP 17 BP TO 6.32 PC. STOCK PRICES HIGHER WITH DOW JONES INDUSTRIALS UP ABOUT 5 POINTS ON VOLUME OF 35 MILLION.

3. DOLLAR IMPROVED .1 PCT FURTHER ON TRADE-WEIGHTED BASIS, APPARENTLY REFLECTING SYSTEM'S OPERATIONS AND REPORT OF LOWER OIL IMPORTS IN FIRST QUARTER.

4. REAL GNP DECLINED AT 0.6 PCT ANNUAL RATE IN FIRST QUARTER. COMMERCE DEPT INDICATED THAT GAIN OF 2 TO 2-1/2 PCT WOULD UNCLASSIFIED

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HAVE BEEN RECORDED IN ABSENCE OF COAL STRIKE AND SEVERE WEATHER. INVENTORY INVESTMENT INCREASED MODERATELY BUT A RELATIVELY LARGE DECLINE OCCURRED IN GOVERNMENT PURCHASES AND A SMALL FURTHER DECLINE WAS REPORTED IN NET EXPORTS OF GOODS AND SERVICES. EXCLUDING THESE, FINAL PURCHASES EDGED DOWN AT A 0.4 PER CENT ANNUAL RATE, REFLECTING REDUCTIONS IN CONSUMPTION EXPENDITURES FOR GOODS AND IN PRIVATE

CONSTRUCTION ACTIVITY. GNP PRICES AS MEASURED BY IMPLICIT  
DEFLATOR ARE ESTIMATED TO HAVE INCREASED AT A 7.1 PER CENT ANNUAL  
RATE; IN TERMS OF THE FIXED-WEIGHTED INDEX GNP PRICES ROSE AT  
6.8 PER CENT RATE, AS DID GROSS DOMESTIC BUSINESS PRODUCT  
FIXED-WEIGHT PRICE INDEX. CHRISTOPHER

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**TAGS:** OVIP, (BURNS)

**To:** TOKYO

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